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SUBJECT: MEDIA REACTION: U.S.-CHINA RELATIONS

Summary: Taiwan's major Chinese-language dailies gave significant coverage on December 30 to former President Chen Shui-bian, who was detained again for corruption charges based on a Taipei District Court ruling early Tuesday morning. News coverage also focused on KMT Legislator Diane Lee's U.S. citizenship controversy. In terms of editorials and commentaries, a column in the centrist, KMT-leaning "China Times" discussed the financial crisis and future U.S.-China relations. The article said in the wake of the financial tsunami, the open market model as represented by Europe and the United States has become less attractive than the Chinese style of state-controlled market economy, which will be a real challenge to the values of U.S. hegemony. An editorial in the pro-independence, English-language "Taipei Times" also discussed U.S.-China relations from the perspective of the recent Israeli assault on Hamas. The article concluded by saying that "the growing interdependence between China and Israel, combined with a weakened U.S., means that China's leverage on Israel will likely grow, which could be the first good news Palestinians have had in decades." End summary.

A) "Renminbi Gets Tough under Internal and External Pressure"

Deputy Editor-in-Chief Kuo Chen-lung wrote in the "International Column" of the centrist, KMT-leaning "China Times" [circulation: 200,000] (12/30):

"... It is conceivable that when Barack Obama takes over the helm the next year, he will certainly attempt to pressure Beijing to work with Washington [in terms of the exchange rate of the Renminbi]. Beijing, on the other hand, will surely strongly resist any moves that will have implications for China's economic growth and social stability. Even if both sides do not sink to the level of casting aside mutual respect, Beijing will definitely not spend time on a gradual breaking-in period with the new U.S. [Obama] administration, as it did with the Clinton and Bush administrations. Should neither side refuse to compromise, the United States will not necessarily gain the upper hand [in its interaction with China]. ...

"... Currently Beijing is trying out a Renminbi settlement system in Hong Kong, Macau and in ASEAN in an attempt to establish its own sphere of economic influence without having to rely on the U.S. currency. Also, traditionally the United States' China policy has been swinging between the Department of Defense and the Department of State. But during extraordinary times [such as the financial crisis], military and human rights issues both lose their significance, and now it is the Treasury Department that is taking the lead, while the U.S. Trade Representative Office and the Department Commerce merely play second fiddle. As long as China continues to buy [U.S.] Treasury bonds and provide financial aid to the U.S. economic stimulus and bailout plans, the Treasury Department will naturally step in to straighten out all internal disputes. China's hopes to lower the Renminbi exchange rate and continue exports to the United States also meet the U.S. interests -- the U.S. public will continue enjoying low-priced commodities, which will help suppress inflation and make people feel less miserable.

"Consequently, the battlefield that determines the final outcome is ideology. Between the 'market economy with Chinese characteristics' and the model of open market represented by Europe and the United States, the latter no longer appears attractive in the wake of the financial tsunami. By contrast, state-controlled economic style that emphasizes businesses has become a model that most countries want to imitate. In addition to China in Asia, we also see Russia in East Europe and Venezuela in Latin America following suit, turning it into common practice. Only this is the real threat -- a challenge to the values of U.S. hegemony."

B) "China's Growing Leverage on Israel"

The pro-independence, English-language "Taipei Times" [circulation: 30,000] editorialized (12/30):

".... As Israel readies to widen its campaign in Gaza, most countries have called for a halt to hostilities while putting the onus on Israel to restrain itself. One country, however, has gone against the grain: the US, Israel's longstanding backer, whose statements in the past few days indicated that the 150:1 death ratio in this latest Middle East flare-up was entirely Hamas' fault. As has happened countless times since the first Intifada, with full US backing, Israel feels no compunction in razing neighborhoods or killing innocent people in its efforts to defend itself. All the UN Security Council can muster is "deep concern" about the situation, a feeble slap on the wrist rendered all the more painless by a US veto.

"Aside from morally backing its Middle Eastern ally, the US remains its principal source of weapons. ... In the current economic climate, however, there are reasons to question the sustainability of the US' security agreement with Israel, or even the ability to come to its assistance, given its operational requirements elsewhere. ... Should the downturn continue in the next few years, Israel could soon find itself dealing with a poorer and therefore far-less generous Washington, which could prompt it to look elsewhere for security guarantees. That elsewhere could very well be China. While Beijing has historically sided with the Palestinians in the Middle East conflict, it has in recent years built up its relations with Israel, mostly in the purchase of military technology. ...

"Should an embattled US ever feel the need to change its MOU with Israel and decrease the amount of military assistance it gives, Israel could feel compelled to compensate by further tapping into its lucrative weapons exports sector, with China as its likely principal client. Aside from the implications this would have for Taiwan's security, the growing interdependence between China and Israel, combined with a weakened US, means that China's leverage on Israel will likely grow, which could be the first good news Palestinians have had in decades."

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